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S E C R E T KUWAIT 001749

SIPDIS

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SUBJECT: (U) KUWAIT: G-7 FINANCE MINISTERS' STATEMENT AND
DEMARCHÉ

REF: STATE 119065

Classified By: CDA FRANK URBANCIC FOR REASONS 1.4 (B) AND (D).

1. (S) Ambassador delivered the G-7 Finance Ministers' Statement and reftel talking points to Energy Minister Shaykh Ahmed al-Fahd al-Ahmed al-Sabah on 1 June at the VVIP lounge, Kuwait City International Airport. Shaykh Ahmed was en route to the 3 June OPEC meeting.

2. (S) The Minister told Ambassador that the GOK concurred in the G-7 observation that stable prices and steady, consistent and predictable oil supplies are essential for the global economy. He pledged that the GOK is prepared to do its part in support of meeting those objectives.

3. (S) Shaykh Ahmed noted, however, that he thought there to be "plenty of oil on the market already." He estimated that oil was now overpriced by \$8.00 a barrel and he attributed this to "strict environmental regulations (not further identified) in the individual U.S. states" and to hoarding by downstream energy marketers due to "concerns over Iraq and the Middle East situation." "The problem is on your side, not ours," he concluded. Nevertheless, Kuwait, he offered, would support an increase from 23.5 to 25.5 or 26 million barrels per day (bpd) in overall OPEC output in order to stabilize the market.

4. (S) Shaykh Ahmed said that Kuwait now produces less than 2.4 million bpd with spare capacity in the neighborhood of 200,000 bpd. Declaring that "We know our responsibilities," he assured Ambassador that Kuwait would increase production by 150,000 bpd, bringing its total output to approximately 2.5 million bpd, should OPEC so agree at the Beirut meeting.
URBANCIC